

Village of Grosse Pointe Shores, Michigan

**Financial Report
with Supplemental Information
March 31, 2008**

Village of Grosse Pointe Shores, Michigan

Contents

Report Letter	1-2
Management's Discussion and Analysis	3-7
Basic Financial Statements	
Government-wide Financial Statements:	
Statement of Net Assets	8
Statement of Activities	9-10
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	11
Statement of Revenue, Expenditures, and Changes in Fund Balances	12
Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	13
Proprietary Funds - Enterprise Funds:	
Statement of Net Assets	14
Statement of Revenue, Expenses, and Changes in Net Assets	15
Statement of Cash Flows	16
Fiduciary Funds:	
Statement of Net Assets	17
Statement of Changes in Net Assets	18
Notes to Financial Statements	19-40
Required Supplemental Information	41
Budgetary Comparison Schedule - General Fund	42
Budgetary Comparison Schedule - Major Special Revenue Funds	43-44
General and Public Safety Retirement System - Pension System Schedule of Funding Progress	45
Note to Required Supplemental Information	46

Village of Grosse Pointe Shores, Michigan

Contents (Continued)

Other Supplemental Information	47
Nonmajor Governmental Funds:	
Combining Balance Sheet	48
Combining Statement of Revenue, Expenditures, and Changes in Fund Balances	49
Fiduciary Funds - Trust Funds:	
Combining Statement of Net Assets	50
Combining Statement of Changes in Net Assets	51



Plante & Moran, PLLC
Suite 300
19176 Hall Road
Clinton Township, MI 48038
Tel: 586.416.4900
Fax: 586.416.4901
plantemoran.com

Independent Auditor's Report

To the Village Council
Village of Grosse Pointe Shores, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Grosse Pointe Shores, Michigan as of and for the year ended March 31, 2008, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village of Grosse Pointe Shores, Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Grosse Pointe Shores, Michigan as of March 31, 2008 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis, retirement system schedule of funding progress, and the budgetary comparison schedules, as identified in the table of contents, are not a required part of the basic financial statements but are supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

To the Village Council
Village of Grosse Pointe Shores, Michigan

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of Grosse Pointe Shores, Michigan's basic financial statements. The accompanying other supplemental information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Plante & Moreau, PLLC

July 7, 2008

Village of Grosse Pointe Shores, Michigan

Management's Discussion and Analysis

Our discussion and analysis of the Village of Grosse Pointe Shores, Michigan's financial performance provides an overview of the Village's financial activities for the fiscal year ended March 31, 2008. Please read it in conjunction with the Village's financial statements.

Financial Highlights

As discussed in further detail in this discussion and analysis, the following represents the most significant financial highlights for the year ended March 31, 2008:

- State-shared revenue, our second largest revenue source, remained relatively stable compared to the 2007 fiscal year.
- Total fund balance related to the Village's General Fund increased by approximately \$270,000. The Village anticipated an increase of approximately \$336,000 as is evidenced by the final amended budget. Actual revenue was approximately \$60,000 less than the amended budget, primarily as a result of lower than anticipated property tax revenue. Actual expenditures were approximately \$6,000 higher than the amended budget. This represents less than 1 percent of the budgeted expenditures.
- Total net assets related to the Village's governmental activities increased by approximately \$150,000 in 2008 compared to a decrease of approximately \$255,000 in 2007. This improvement was primarily a result of increased property tax revenue.

Using this Annual Report

This annual report consists of a series of financial statements. The statement of net assets and the statement of activities provide information about the activities of the Village as a whole and present a longer-term view of the Village's finances. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year, and whether the taxpayers have funded the full cost of providing government services.

The fund financial statements present a short-term view; they tell us how the taxpayers' resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the Village's operations in more detail than the government-wide financial statements by providing information about the Village's most significant funds. The fiduciary fund statements provide financial information about activities for which the Village acts solely as a trustee or agent for the benefit of those outside of the government.

Village of Grosse Pointe Shores, Michigan

Management's Discussion and Analysis (Continued)

The Village as a Whole

The following table shows, in a condensed format, the net assets as of March 31, 2008 compared to the prior year (in thousands of dollars):

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
Assets						
Current assets	\$ 1,429	\$ 1,204	\$ 1,862	\$ 1,033	\$ 3,291	\$ 2,237
Noncurrent assets	<u>5,459</u>	<u>5,644</u>	<u>14,773</u>	<u>11,756</u>	<u>20,232</u>	<u>17,400</u>
Total assets	6,888	6,848	16,635	12,789	23,523	19,637
Liabilities						
Current liabilities	304	412	832	370	1,136	782
Long-term liabilities	<u>2,186</u>	<u>2,187</u>	<u>7,154</u>	<u>3,746</u>	<u>9,340</u>	<u>5,933</u>
Total liabilities	<u>2,490</u>	<u>2,599</u>	<u>7,986</u>	<u>4,116</u>	<u>10,476</u>	<u>6,715</u>
Net Assets						
Invested in capital assets - Net of related debt	4,022	4,165	7,307	7,693	11,329	11,858
Restricted	371	363	-	-	371	363
Unrestricted (deficit)	<u>5</u>	<u>(279)</u>	<u>1,342</u>	<u>980</u>	<u>1,347</u>	<u>701</u>
Total net assets	<u>\$ 4,398</u>	<u>\$ 4,249</u>	<u>\$ 8,649</u>	<u>\$ 8,673</u>	<u>\$ 13,047</u>	<u>\$ 12,922</u>

The Village's 2008 combined net assets increased 1 percent from the previous year (from approximately \$12.9 million in 2007 to \$13.0 million in 2008). A review of the 2008 governmental activities net assets, separate from the business-type activities, shows an increase from the previous year of approximately \$150,000, or 3.5 percent. This increase is largely due to increased property tax revenue. The 2008 business-type activities net assets show a decrease from the previous year of approximately \$25,000, or 0.3 percent. This decrease is largely due to an increase in repairs and maintenance and general and administrative expenditures in the Marina Fund.

Unrestricted net assets, the portion of net assets that can be used to finance day-to-day operations, increased by approximately \$284,000 in the governmental activities. The unrestricted net asset balance at March 31, 2008 was approximately \$5,000.

Village of Grosse Pointe Shores, Michigan

Management's Discussion and Analysis (Continued)

The following table shows the changes of the net assets during the year ended March 31, 2008 compared to the prior year (in thousands of dollars):

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
Revenue						
Program revenue:						
Charges for services	\$ 299	\$ 300	\$ 1,464	\$ 1,441	\$ 1,763	\$ 1,741
Operating grants and contributions	166	168	-	-	166	168
Capital grants and contributions	-	79	-	-	-	79
General revenue:						
Property taxes	5,140	4,843	-	-	5,140	4,843
State-shared revenue	228	233	-	-	228	233
Unrestricted investment earnings	72	92	70	21	142	113
Miscellaneous	448	310	-	-	448	310
Loss on sale of capital assets	(22)	-	-	-	(22)	-
Transfers	(329)	(339)	329	339	-	-
Total revenue	6,002	5,686	1,863	1,801	7,865	7,487
Program Expenses						
General government	1,924	1,631	-	-	1,924	1,631
Public safety	2,201	2,409	-	-	2,201	2,409
Public works	1,168	1,310	-	-	1,168	1,310
Recreation and culture	503	531	-	-	503	531
Interest on long-term debt	56	60	-	-	56	60
Water and sewer	-	-	1,585	1,565	1,585	1,565
Marina	-	-	303	258	303	258
Total program expenses	5,852	5,941	1,888	1,823	7,740	7,764
Change in Net Assets	\$ 150	\$ (255)	\$ (25)	\$ (22)	\$ 125	\$ (277)

Governmental Activities

The Village's governmental revenue, excluding transfers, increased by approximately \$306,000 or 5.1 percent during 2008. This is primarily a result of increased property tax revenue based on inflationary increases in the taxable value of properties.

The Village's governmental expenditures decreased by approximately \$89,000, or 1.5 percent during 2008. This is primarily a result of decreased spending in the public safety and public works departments.

Village of Grosse Pointe Shores, Michigan

Management's Discussion and Analysis (Continued)

Business-type Activities

The Village's business-type activities consist of the Water, Sewer, and Marina Funds. The Village provides water to residents, which is purchased from the City of Detroit Water System. Sewage treatment is provided through an agreement with Wayne County. The 2008 program revenue remained relatively flat compared to the previous year, while expenditures increased by approximately \$65,000, or 3.6 percent during 2008. This increase is due to the completion of a marina rehabilitation project in the current year.

The Village's Funds

Our analysis of the Village's major funds begins on page 11, following the government-wide financial statements. The fund financial statements provide detail information about the most significant funds, not the Village as a whole. The Village Council creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as special property tax millages. The Village's major governmental funds for 2008 include the General Fund and the Major and Local Street Funds. Both of the Village's Enterprise Funds are presented as major funds.

The General Fund pays for most of the Village's governmental services. The most significant are police and fire, which incurred expenses of approximately \$2,308,000 in 2008.

General Fund Budgetary Highlights

Over the course of the year, the Village amended the budget to take into account events during the year. The most significant change was to increase the estimated revenue for property taxes by approximately \$76,000. This was due to several adjustments to the taxable valuation of various properties. While amendments were also made to department expenditures during the year, total General Fund expenditures exceeded the final amended budget by only approximately \$6,000. This variance represents a 0.1 percent increase over the final amended budget.

Capital Asset and Debt Administration

Capital Assets

At the end of 2008, the Village had approximately \$19.8 million invested in a broad range of capital assets, including buildings, police and fire equipment, and water and sewer lines. In addition, the Village has invested significantly in roads and other infrastructure within the Village.

Long-term Debt

The Village's total bonded indebtedness as of March 31, 2008 is \$8.9 million. Of this amount, \$8.7 million is general obligation bonds. In addition, the Village has contractual obligations totaling \$220,000. This amount represents the Village's portion of debt related to the Mack Avenue Water Main Project.

Village of Grosse Pointe Shores, Michigan

Management's Discussion and Analysis (Continued)

Economic Factors and Next Year's Budgets and Rates

The Village's budget for next year calls for a minimal increase on property tax rates, based on the rate of inflation. Because of the impact of Proposal A, however, the Village needs to continue to monitor its budget very closely. The state-wide Tax Reform Act limits growth in taxable value on any individual property to the lesser of inflation or 5 percent. Because some properties increase in value by less than inflation, the mathematical result of this is that the total taxable value for the Village will grow less than by inflation, before considering new property additions.

Contacting the Village's Management

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of the Village's finances and to show the Village's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the Village offices.

Village of Grosse Pointe Shores, Michigan

Statement of Net Assets March 31, 2008

	Primary Government		
	Governmental	Business-type	
	Activities	Activities	Total
Assets			
Cash and investments (Note 3)	\$ 781,487	\$ 1,969,394	\$ 2,750,881
Receivables:			
Taxes	120,391	-	120,391
Customers	-	77,022	77,022
Other governmental units	154,965	-	154,965
Other	131,450	-	131,450
Inventories	17,861	2,065	19,926
Prepaid costs and other assets	35,191	1,175	36,366
Internal balances	187,609	(187,609)	-
Restricted assets (Note 9)	50,000	377,110	427,110
Investment in joint venture (Note 13)	17,899	-	17,899
Capital assets (Note 5):			
Nondepreciable	880,608	3,332,841	4,213,449
Depreciable - Net	4,510,663	11,062,988	15,573,651
Total assets	6,888,124	16,634,986	23,523,110
Liabilities			
Accounts payable	150,306	507,769	658,075
Accrued and other liabilities	60,626	2,055	62,681
Deferred revenue (Note 4)	9,251	10,829	20,080
Noncurrent liabilities (Note 8):			
Due within one year	84,104	311,700	395,804
Due in more than one year	2,185,985	7,153,915	9,339,900
Total liabilities	2,490,272	7,986,268	10,476,540
Net Assets			
Invested in capital assets - Net of related debt	4,021,952	7,307,324	11,329,276
Restricted:			
Streets and highways	81,873	-	81,873
Sanitation	288,718	-	288,718
Unrestricted	5,309	1,341,394	1,346,703
Total net assets	\$ 4,397,852	\$ 8,648,718	\$ 13,046,570

Village of Grosse Pointe Shores, Michigan

	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
Functions/Programs			Capital Grants and Contributions
Primary government:			
Governmental activities:			
General government	\$ 1,923,648	\$ 199,908	\$ -
Public safety	2,200,853	98,695	-
Public works	1,168,226	-	166,255
Recreation and culture	502,521	-	-
Interest on long-term debt	56,228	-	-
Total governmental activities	5,851,476	298,603	166,255
Business-type activities:			
Water and sewer	1,585,284	1,293,691	-
Marina	303,079	170,613	-
Total business-type activities	1,888,363	1,464,304	-
Total primary government	<u>\$ 7,739,839</u>	<u>\$ 1,762,907</u>	<u>\$ 166,255</u>
General revenues:			
Property taxes			
State-shared revenues			
Unrestricted investment earnings			
Miscellaneous			
Loss on the sale of capital assets			
Transfers			
Total general revenues and transfers			
Change in Net Assets			
Net Assets - Beginning of year, as restated (Note 1)			
Net Assets - End of year			

Statement of Activities
Year Ended March 31, 2008

Net (Expense) Revenue and Changes in Net Assets

<u>Primary Government</u>		
<u>Governmental</u>	<u>Business-type</u>	
<u>Activities</u>	<u>Activities</u>	<u>Total</u>
\$ (1,723,740)	\$ -	\$ (1,723,740)
(2,102,158)	-	(2,102,158)
(1,001,971)	-	(1,001,971)
(502,521)	-	(502,521)
<u>(56,228)</u>	<u>-</u>	<u>(56,228)</u>
(5,386,618)	-	(5,386,618)
-	(291,593)	(291,593)
<u>-</u>	<u>(132,466)</u>	<u>(132,466)</u>
-	(424,059)	(424,059)
<u>(5,386,618)</u>	<u>(424,059)</u>	<u>(5,810,677)</u>
5,139,514	-	5,139,514
228,008	-	228,008
71,751	70,461	142,212
448,219	-	448,219
(22,183)	-	(22,183)
<u>(329,030)</u>	<u>329,030</u>	<u>-</u>
<u>5,536,279</u>	<u>399,491</u>	<u>5,935,770</u>
149,661	(24,568)	125,093
<u>4,248,191</u>	<u>8,673,286</u>	<u>12,921,477</u>
<u>\$ 4,397,852</u>	<u>\$ 8,648,718</u>	<u>\$ 13,046,570</u>

Village of Grosse Pointe Shores, Michigan

Governmental Funds Balance Sheet March 31, 2008

	Major Special Revenue Funds				
	General Fund	Major Street Fund	Local Street Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
Assets					
Cash and investments (Note 3)	\$ 605,831	\$ 135,312	\$ 40,344	\$ -	\$ 781,487
Receivables:					
Delinquent taxes	120,391	-	-	-	120,391
Other	81,819	-	-	-	81,819
Due from other governmental units	125,631	20,296	9,037	-	154,964
Due from other funds (Note 6)	310,725	-	58,700	205,058	574,483
Inventories	17,861	-	-	-	17,861
Prepaid costs and other assets	35,191	-	-	-	35,191
Restricted assets (Note 9)	50,000	-	-	-	50,000
Total assets	<u>\$ 1,347,449</u>	<u>\$ 155,608</u>	<u>\$ 108,081</u>	<u>\$ 205,058</u>	<u>\$ 1,816,196</u>
Liabilities and Fund Balances					
Liabilities					
Accounts payable	\$ 150,306	\$ -	\$ -	\$ -	\$ 150,306
Accrued and other liabilities	60,626	-	-	-	60,626
Due to other funds (Note 6)	205,058	95,207	86,609	-	386,874
Deferred revenue (Note 4)	129,642	-	-	-	129,642
Total liabilities	545,632	95,207	86,609	-	727,448
Fund Balances					
Reserved for:					
Sanitation expenditures	288,718	-	-	-	288,718
Prepaid expenditures	35,191	-	-	-	35,191
Inventory	17,861	-	-	-	17,861
Unspent bond proceeds	50,000	-	-	-	50,000
911 service	-	-	-	5,058	5,058
Unreserved, reported in:					
General Fund	410,047	-	-	-	410,047
Special Revenue Funds	-	60,401	21,472	200,000	281,873
Total fund balances	<u>801,817</u>	<u>60,401</u>	<u>21,472</u>	<u>205,058</u>	<u>1,088,748</u>
Total liabilities and fund balances	<u>\$ 1,347,449</u>	<u>\$ 155,608</u>	<u>\$ 108,081</u>	<u>\$ 205,058</u>	

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and are not reported in the funds	5,391,271
Certain receivables are expected to be collected over several years in the General Fund and are not available to pay for current year expenditures	170,023
Long-term liabilities are not due and payable in the current period and are not reported in the funds:	
Notes and bonds payable	(1,419,319)
Compensated absences	(850,770)
The investment in joint venture is not recorded in the funds	17,899
Net assets of governmental activities	<u>\$ 4,397,852</u>

Village of Grosse Pointe Shores, Michigan

Governmental Funds Statement of Revenue, Expenditures, and Changes in Fund Balances Year Ended March 31, 2008

	<u>Major Special Revenue Funds</u>			Other Nonmajor Governmental Funds	Total Governmental Funds
	General Fund	Major Street Fund	Local Street Fund		
Revenue					
Property taxes	\$ 4,540,565	\$ -	\$ -	\$ 478,558	\$ 5,019,123
State sources	231,365	115,038	51,217	-	397,620
Licenses and permits	46,182	-	-	-	46,182
Fines and forfeitures	179,908	-	-	-	179,908
Ambulance fees	52,513	-	-	-	52,513
Building rent	20,000	-	-	-	20,000
Interest	61,926	7,464	2,361	-	71,751
Other	259,834	-	-	11,903	271,737
Total revenue	5,392,293	122,502	53,578	490,461	6,058,834
Expenditures					
General government	1,757,906	-	-	-	1,757,906
Public safety	2,308,140	-	-	6,845	2,314,985
Public works	641,310	122,100	101,334	-	864,744
Recreation and culture	464,841	-	-	-	464,841
Debt service	-	-	-	99,528	99,528
Total expenditures	5,172,197	122,100	101,334	106,373	5,502,004
Excess of Revenue Over (Under) Expenditures	220,096	402	(47,756)	384,088	556,830
Other Financing Sources (Uses)					
Transfers in	50,000	-	58,700	-	108,700
Transfers out	-	(58,700)	-	(379,030)	(437,730)
Total other financing sources (uses)	50,000	(58,700)	58,700	(379,030)	(329,030)
Net Change in Fund Balances	270,096	(58,298)	10,944	5,058	227,800
Fund Balances - Beginning of year	531,721	118,699	10,528	200,000	860,948
Fund Balances - End of year	<u>\$ 801,817</u>	<u>\$ 60,401</u>	<u>\$ 21,472</u>	<u>\$ 205,058</u>	<u>\$ 1,088,748</u>

Village of Grosse Pointe Shores, Michigan

Governmental Funds Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended March 31, 2008

Net Change in Fund Balances - Total Governmental Funds **\$ 227,800**

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures;
in the statement of activities, these costs are allocated
over their estimated useful lives as depreciation:

Capital outlay expenditures	158,600
Depreciation expense	(301,951)

In the statement of activities, only the gain/loss on the sale of an asset is reported, whereas in the governmental funds, the proceeds from the sale are reported. Therefore, the change in net assets differs from the change in fund balance by the net book value of the assets sold (42,584)

Revenue reported in the statement of activities does not provide current financial resources and is not reported as revenue in the governmental funds 117,034

Return on investment in joint venture is not recorded in the funds 811

Repayment of debt principal is an expenditures in the governmental funds, but not in the statement of activities (where it reduces long-term debt) 43,300

Change in accumulated employee sick and vacation pay is recorded when earned in the statement of activities (53,349)

Change in Net Assets of Governmental Activities **\$ 149,661**

Village of Grosse Pointe Shores, Michigan

Proprietary Funds - Enterprise Funds Statement of Net Assets March 31, 2008

	Marina	Water and Sewer	Total
Assets			
Current assets:			
Cash and investments (Note 3)	\$ 1,439,886	\$ 529,508	\$ 1,969,394
Customer receivables	-	77,021	77,021
Inventories	-	2,065	2,065
Prepaid costs and other assets	-	1,175	1,175
Total current assets	1,439,886	609,769	2,049,655
Noncurrent assets:			
Restricted assets (Note 9)	316,922	60,188	377,110
Capital assets (Note 5)	3,996,183	10,399,646	14,395,829
Total noncurrent assets	4,313,105	10,459,834	14,772,939
Total assets	5,752,991	11,069,603	16,822,594
Liabilities			
Current liabilities:			
Accounts payable	507,768	-	507,768
Deferred revenue (Note 4)	10,829	-	10,829
Other liabilities	-	2,055	2,055
Due to other funds (Note 6)	187,609	-	187,609
Current portion of long-term debt (Note 8)	-	311,700	311,700
Total current liabilities	706,206	313,755	1,019,961
Long-term debt - Net of current portion (Note 8)	3,719,706	3,434,209	7,153,915
Total liabilities	4,425,912	3,747,964	8,173,876
Net Assets			
Investment in capital assets - Net of related debt	593,399	6,713,925	7,307,324
Unrestricted	733,680	607,714	1,341,394
Total net assets	<u>\$ 1,327,079</u>	<u>\$ 7,321,639</u>	<u>\$ 8,648,718</u>

Village of Grosse Pointe Shores, Michigan

Proprietary Funds - Enterprise Funds Statement of Revenue, Expenses, and Changes in Net Assets Year Ended March 31, 2008

	Marina	Water and Sewer	Total
Operating Revenue			
Customer billings	\$ -	\$ 1,293,691	\$ 1,293,691
Other charges for services	161,528	-	161,528
Total operating revenue	161,528	1,293,691	1,455,219
Operating Expenses			
Water supply and sewage disposal	-	719,945	719,945
Repairs and maintenance	21,880	169,871	191,751
General and administrative	178,044	240,183	418,227
Depreciation	102,830	455,285	558,115
Total operating expenses	302,754	1,585,284	1,888,038
Operating Loss	(141,226)	(291,593)	(432,819)
Nonoperating Revenue			
Interest income	70,461	-	70,461
Other income	8,760	-	8,760
Total nonoperating revenue	79,221	-	79,221
Loss - Before transfers	(62,005)	(291,593)	(353,598)
Other Financing Sources (Uses)			
Transfers in	-	379,030	379,030
Transfers out	(50,000)	-	(50,000)
Total other financing sources (uses)	(50,000)	379,030	329,030
Change in Net Assets	(112,005)	87,437	(24,568)
Net Assets - Beginning of year, as restated (Note 1)	1,439,084	7,234,202	8,673,286
Net Assets - End of year	<u>\$ 1,327,079</u>	<u>\$ 7,321,639</u>	<u>\$ 8,648,718</u>

Village of Grosse Pointe Shores, Michigan

Proprietary Funds - Enterprise Funds Statement of Cash Flows Year Ended March 31, 2008

	Marina	Water and Sewer	Total
Cash Flows from Operating Activities			
Receipts from customers	\$ 916,993	\$ 1,336,685	\$ 2,253,678
Payments to suppliers	(199,924)	(1,082,934)	(1,282,858)
Net cash provided by operating activities	717,069	253,751	970,820
Cash Flows from Capital and Related Financing Activities			
Transfers (to) from other funds	(50,000)	379,030	329,030
Purchase of capital assets	(3,174,769)	(132,330)	(3,307,099)
Proceeds from the issuance of debt	3,719,706	-	3,719,706
Principal and interest paid on capital debt	-	(316,700)	(316,700)
Net cash provided by (used in) capital and related financing activities	494,937	(70,000)	424,937
Cash Flows from Investing Activities			
Interest received on investments	70,461	-	70,461
Other receipts	8,760	-	8,760
Net cash provided by investing activities	79,221	-	79,221
Net Increase in Cash and Cash Equivalents	1,291,227	183,751	1,474,978
Cash and Cash Equivalents - Beginning of year	465,581	405,945	871,526
Cash and Cash Equivalents - End of year	<u>\$ 1,756,808</u>	<u>\$ 589,696</u>	<u>\$ 2,346,504</u>
Balance Sheet Classification of Cash and Cash Equivalents			
Cash and investments	\$ 1,439,886	\$ 529,508	\$ 1,969,394
Restricted assets (Note 9)	316,922	60,188	377,110
Total cash and cash equivalents	<u>\$ 1,756,808</u>	<u>\$ 589,696</u>	<u>\$ 2,346,504</u>
Reconciliation of Operating Loss to Net Cash from Operating Activities			
Operating loss	\$ (141,226)	\$ (291,593)	\$ (432,819)
Adjustments to reconcile operating loss to net cash from operating activities:			
Depreciation and amortization	102,830	455,285	558,115
Changes in assets and liabilities:			
Receivables	-	42,994	42,994
Due from other funds	99,947	-	99,947
Other assets	-	47,640	47,640
Deferred revenue	(39,859)	-	(39,859)
Due to other funds	187,609	-	187,609
Accounts payable	507,768	-	507,768
Other liabilities	-	(575)	(575)
Net cash provided by operating activities	<u>\$ 717,069</u>	<u>\$ 253,751</u>	<u>\$ 970,820</u>

Noncash Investing, Capital, and Financing Activities - During the year ended March 31, 2008, there were no noncash investing, capital, or financing activities.

Village of Grosse Pointe Shores, Michigan

Fiduciary Funds Statement of Net Assets March 31, 2008

	Pension and Other Post- employment Benefit Trust Funds	Agency Fund
Assets		
Cash and cash equivalents (Note 3)	\$ 2,214,832	\$ 85,593
Investments (Note 3):		
U.S. government securities	2,305,860	-
Common and preferred stock	10,367,141	-
Corporate bonds	3,074,578	-
Accrued interest and dividends	98,550	-
Prepaid items	20,368	-
Total assets	18,081,329	<u>\$ 85,593</u>
Liabilities - Other liabilities	<u>60,538</u>	<u>\$ 85,593</u>
Net Assets - Held in trust for pension and other employee benefits	<u>\$ 18,020,791</u>	

Village of Grosse Pointe Shores, Michigan

Fiduciary Funds Statement of Changes in Net Assets Year Ended March 31, 2008

	Pension and Other Post- employment Benefit Trust Funds
<hr/>	
Additions	
Investment income:	
Interest, dividends, and net realized income on investments	\$ 959,460
Net increase in fair value of investments	(597,673)
Less investment expenses	<u>(153,481)</u>
Net investment income	208,306
Contributions:	
Employer	701,930
Employee	<u>145,639</u>
Total contributions	<u>847,569</u>
Total additions	1,055,875
Deductions	
Pension benefit payments	786,509
Healthcare benefit payments	<u>294,317</u>
Total deductions	<u>1,080,826</u>
Change in Net Assets Held in Trust	(24,951)
Net Assets Held in Trust for Pension and Other Employee Benefits	
Beginning of year	<u>18,045,742</u>
End of year	<u><u>\$ 18,020,791</u></u>

Village of Grosse Pointe Shores, Michigan

Notes to Financial Statements March 31, 2008

Note I - Summary of Significant Accounting Policies

The accounting policies of the Village of Grosse Pointe Shores, Michigan (the "Village") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Village of Grosse Pointe Shores, Michigan:

Reporting Entity

The Village of Grosse Pointe Shores is governed by an elected seven-member council. The council includes the president, president pro-tem, and five trustees.

The accompanying basic financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. The General and Public Safety Retirement System and Retired Employees' Health Care Benefits Trust Funds have been blended into the Village's financial statements. The General and Public Safety Retirement System and Retired Employees' Health Care Benefits Trust Funds are governed by a five-member pension board that includes the Village Council president and two individuals chosen by the Village Council. The General and Public Safety Retirement System and Retired Employees' Health Care Benefits Trust Funds are reported as if they were part of the primary government because of the fiduciary responsibility that the Village retains relative to the operations of the funds.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the Village (the primary government). The effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function (governmental activities) or identifiable activity (business-type activities) are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or activity. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or activity, and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or activity. Taxes and other revenue items properly excluded from program revenues are reported as general revenue.

Village of Grosse Pointe Shores, Michigan

Notes to Financial Statements March 31, 2008

Note I - Summary of Significant Accounting Policies (Continued)

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual Enterprise Funds are reported as separate columns in the fund financial statements.

The Village reports the following major governmental funds:

General Fund - The General Fund is the Village's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Major Street Fund - The Major Street Fund accounts for maintenance and improvement activities for streets designated as "major" in the Village. Funding is provided primarily through state-shared gas and weight tax.

Local Street Fund - The Local Street Fund accounts for maintenance and improvement activities for streets designated as "local" in the Village. Funding is provided primarily through state-shared gas and weight tax.

The Village reports the following major proprietary funds:

Marina Fund - The Marina Fund accounts for the activities of the Village's marina, which is primarily funded through the rental of boat wells.

Water and Sewer Fund - The Water and Sewer Fund accounts for the activities of the water distribution system and sewage collection system. Funding is provided primarily through user charges.

Additionally, the Village reports the following fund types:

Pension and Other Employee Benefits Trust Funds - The Pension and Other Employee Benefits Trust Funds account for the activities of the employee benefit plans, which accumulate resources for pension and other postemployment benefit payments to qualified employees.

Agency Funds - The Agency Fund accounts for assets held by the Village in a trustee capacity. Agency Funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations.

Village of Grosse Pointe Shores, Michigan

Notes to Financial Statements March 31, 2008

Note I - Summary of Significant Accounting Policies (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized in the accounting period in which they become susceptible to accrual - that is, when they become both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period, generally collected within 60 days of the end of the current fiscal period. Revenues susceptible to accrual include intergovernmental revenue, charges for services, and interest. All other revenue items are considered to be available only when cash is received by the Village.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the proprietary funds relates to charges to customers for sales and services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the Village's policy is to first apply restricted assets.

Village of Grosse Pointe Shores, Michigan

Notes to Financial Statements March 31, 2008

Note 1 - Summary of Significant Accounting Policies (Continued)

Private sector standards of accounting issued prior to December 1, 1989 are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The Village has elected not to follow private sector standards issued after November 30, 1989 for its business-type activities and Enterprise Funds.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the Village's water and sewer function and various other functions of the Village. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenue include charges for services to customers or applicants for goods, services, or privileges provided. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

Property Tax Revenue - Property taxes are levied on each July 1 on the taxable valuation of property as of the preceding December 31. Taxes are considered delinquent on March 1 of the following year, at which time penalties and interest are assessed.

The Village's 2007 tax is levied and collectible on July 1, 2007 and is recognized as revenue in the year ended March 31, 2008, when the proceeds of the levy are budgeted and available for the financing of operations.

The 2007 taxable valuation of the Village totaled \$347,542,702, on which ad valorem taxes levied consisted of 10.2714 mills for operating purposes, 1.3600 mills for refuse services, 1.1447 mills for the retirement system, 0.1439 mills for Public Act 359, and 1.3800 mills for debt service. This resulted in revenue of approximately \$3,570,000 for operating, \$473,000 for refuse services, \$398,000 for the retirement system, \$50,000 for Public Act 359, and \$480,000 for debt service. Amounts for the levies are recognized in the General Fund and the Debt Service Fund as tax revenue.

Assets, Liabilities, and Net Assets or Equity

Cash and Investments - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Village of Grosse Pointe Shores, Michigan

Notes to Financial Statements March 31, 2008

Note 1 - Summary of Significant Accounting Policies (Continued)

Receivables and Payables - In general, outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

All trade and property tax receivables are shown as net of allowance for uncollectible amounts. Property taxes are due February 14 with the final collection date of February 28 before they are added to the county tax rolls.

Inventories and Prepaid Items - Inventories are valued at cost, on a first-in, first-out basis. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets - Capital assets, which include property, buildings, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the Village as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Capital assets are depreciated using the straight-line method over the following useful lives:

Vehicles	8 to 15 years
Machinery and equipment	5 to 20 years
Buildings	50 years
Land improvements	20 years
Infrastructure	20 to 50 years

Compensated Absences (Sick Leave) - It is the Village's policy to permit employees to accumulate earned but unused sick pay benefits. A liability is reported when incurred in the government-wide financial statements and the proprietary fund financial statements. A liability for these amounts is reported in governmental funds only when they have matured or come due for payment - generally when an individual's employment has terminated as of year end.

Village of Grosse Pointe Shores, Michigan

Notes to Financial Statements March 31, 2008

Note 1 - Summary of Significant Accounting Policies (Continued)

Long-term Obligations - In the government-wide financial statements and the proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of net assets. Bond premiums and discounts, issuance costs, and the deferred amount on refunding are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount and deferred amount on refunding. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

Fund Equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Correction of a Prior Period - The fund balance of the Marina Fund as of April 1, 2007 has been restated to reflect amounts that were recorded as expenses during the year ended March 31, 2007 that should have been recorded as a capital asset. As a result of this correction, the fund balance in the Marina Fund as of April 1, 2007 is \$153,019 higher than previously reported. Net assets for the business-type activities have also been adjusted to reflect this correction.

Village of Grosse Pointe Shores, Michigan

Notes to Financial Statements March 31, 2008

Note 1 - Summary of Significant Accounting Policies (Continued)

Upcoming Reporting Change - The Governmental Accounting Standards Board has recently released Statement Number 43, *Financial Reporting for Post-employment Benefit Plans Other Than Pension Plans*, and Statement Number 45, *Accounting and Reporting by Employers for Postemployment Benefits Other Than Pensions*. The new pronouncements provide guidance for local units of government in recognizing the cost of retiree health care, as well as any "other" postemployment benefits (other than pensions). The new rules will cause the government-wide financial statements to recognize the cost of providing retiree healthcare coverage over the working life of the employee, rather than at the time the healthcare premiums are paid. The new pronouncements are effective for the Village's fiscal years ending March 31, 2009 and March 31, 2010 for Statement No. 43 and Statement No. 45, respectively.

Note 2 - Stewardship, Compliance, and Accountability

Construction Code Fees - The Village tracks the results of building department operations in the General Fund. In accordance with Michigan Public Act 245 of 1999 (the "Act"), the Village is required to maintain an accounting system that separately accumulates revenue and expenditures related to the building department function. As required under provisions of the Act, the Village adopted this accounting treatment effective January 1, 2000. A summary of the activity is presented below:

Accumulated shortfall - April 1, 2007	\$ (145,537)
2007-2008 building department activity:	
Current year revenue	45,382
Current year expenditures	<u>68,817</u>
Excess of expenditures over revenue	<u>(23,435)</u>
Accumulated shortfall - March 31, 2008	<u><u>\$ (168,972)</u></u>

Village of Grosse Pointe Shores, Michigan

Notes to Financial Statements March 31, 2008

Note 2 - Stewardship, Compliance, and Accountability (Continued)

Budgetary Information

The Village is legally subject to the budgetary control requirements of State of Michigan P.A. 621 of 1978 (the Uniform Budgeting Act). The following statements represent a brief synopsis of the major provisions of this Act:

1. Budgets must be adopted for the General Fund and Special Revenue Funds.
2. The budgets must be balanced. The balanced budget may include a contribution to or appropriation from fund balance.
3. The budgets must be amended when necessary.
4. Debt cannot be entered into unless permitted by law.
5. Expenditures cannot exceed budget appropriations.
6. Expenditures cannot be made unless authorized in the budget.
7. Public hearings must be held before budget adoptions.

The Village adopts its budget by budgetary center (activity/department), which is in accordance with the State's legal requirement and is the level of classification detail at which expenditures may not legally exceed appropriations.

The Village follows these procedures in establishing the budget reflected in the financial statements:

1. The Village superintendent prepares and submits to the Village Council a complete itemized proposed budget in February for the following fiscal year.
2. A public hearing on the budget shall be held before its final adoption in March, at such time and place as the Council shall direct, and notice of such public hearing shall be published at least 10 days in advance thereof.
3. The Council shall then adopt the budget for the ensuing fiscal year.

Village of Grosse Pointe Shores, Michigan

Notes to Financial Statements March 31, 2008

Note 2 - Stewardship, Compliance, and Accountability (Continued)

The annual budget is prepared by the Village superintendent and adopted by the Village Council; subsequent amendments are approved by the Village Council. Budgeted amounts of the revenues and expenditures presented for the General and Special Revenue Funds are as amended by the Village Council. Budget appropriations lapse at year end; encumbrances are not included as expenditures. The amount of encumbrances outstanding at March 31, 2008 has not been calculated. During the current year, the budget was amended in a legally permissible manner. A comparison of the budget with statements of actual revenues and expenditures, including budget variances, for the General Fund and major Special Revenue Funds is presented in the required supplemental information. A comparison of actual results of operations to the nonmajor Special Revenue Funds budgets as adopted by the Village Council is available at the Village offices for inspection. The budget has been prepared in accordance with accounting principles generally accepted in the United States of America.

Note 3 - Deposits and Investments

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The Pension Trust Fund and the Retiree Health Care Fund are also authorized by Michigan Public Act 314 of 1965, as amended, to invest in certain reverse repurchase agreements, stocks, diversified investment companies, annuity investment contracts, real estate leased to public entities, mortgages, real estate (if the trust fund's assets exceed \$250 million), debt or equity of certain small businesses, certain state and local government obligations, and certain other specified investment vehicles.

The Village has designated two banks for the deposit of its funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in all investments permissible under Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) as listed above. The Village's deposits and investment policies are in accordance with statutory authority.

Village of Grosse Pointe Shores, Michigan

Notes to Financial Statements March 31, 2008

Note 3 - Deposits and Investments (Continued)

The Village's cash and investments are subject to several types of risk, which are examined in more detail below:

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Village's deposits may not be returned to it. The Village does not have a deposit policy for custodial credit risk. At year end, the Village had approximately \$1,702,000 of bank deposits (certificates of deposit, checking, and savings accounts) that were uninsured and uncollateralized. The Village believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Village evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Interest Rate Risk

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The Village's investment policy does not restrict investment maturities, other than commercial paper which can only be purchased with a 270-day maturity. The investment policies for the pension and other postemployment benefit trust funds specify that each investment manager shall maintain a weighted average duration of plus or minus 20 percent of the Lehman Bros. Intermediate Government Index. At year end, the average maturities of investments are as follows:

Investment	Fair Value	Investment Maturity		
		0-5 Years	5-15 Years	> 15 Years
Corporate bonds	\$ 3,074,578	\$ 2,364,666	\$ 709,912	\$ -
U.S. government obligations	358,900	-	358,761	139
U.S. federal agencies	1,946,960	301,805	1,645,155	-
Total	<u>\$ 5,380,438</u>	<u>\$ 2,666,471</u>	<u>\$ 2,713,828</u>	<u>\$ 139</u>

Village of Grosse Pointe Shores, Michigan

Notes to Financial Statements March 31, 2008

Note 3 - Deposits and Investments (Continued)

Credit Risk

State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The investment policy for the pension and other postemployment benefit trust funds states that the weighted average credit quality of fixed income securities shall be A rated by Moody's and Standard and Poor's; no more than 20 percent of the fixed income portfolio of a manager should be invested in securities carrying less than a Baa/Bbb rating either by Moody's and Standard and Poor's; split-rate securities will be governed by the lower rating; and commercial paper must be rated either A1 or P1. As of year end, the credit quality ratings of debt securities (other than the U.S. government) are as follows:

Investment	Fair Value	Rating	Rating Organization
Pooled investments	\$ 2,210,774	Not rated	N/A
Pooled investments	1,477,951	AAA	Standard and Poor's
Corporate bonds	137,495	AAA	Standard and Poor's
Corporate bonds	209,267	AA	Standard and Poor's
Corporate bonds	290,713	AA-	Standard and Poor's
Corporate bonds	247,651	A+	Standard and Poor's
Corporate bonds	715,881	A	Standard and Poor's
Corporate bonds	284,587	A-	Standard and Poor's
Corporate bonds	433,624	BBB+	Standard and Poor's
Corporate bonds	111,936	BBB	Standard and Poor's
Corporate bonds	50,899	BBB-	Standard and Poor's
Corporate bonds	140,982	BB	Standard and Poor's
Corporate bonds	277,367	B	Standard and Poor's
Corporate bonds	73,500	B-	Standard and Poor's
Corporate bonds	100,676	Not rated	N/A
U.S. government obligations	117,082	AAA	Standard and Poor's
U.S. government obligations	241,818	Not rated	N/A
U.S. federal agencies	1,355,052	AAA	Standard and Poor's
U.S. federal agencies	180,344	BBB-	Standard and Poor's
U.S. federal agencies	411,564	Not rated	N/A

Village of Grosse Pointe Shores, Michigan

Notes to Financial Statements March 31, 2008

Note 4 - Deferred Revenue

Governmental funds report deferred revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue are as follows:

	Governmental Activities		Business-type
	Unearned	Unavailable	Activities
			Unearned
Property taxes	\$ -	\$ 120,391	\$ -
Advance payments - Boat well rentals	-	-	10,829
Other	9,251	-	-
Total	<u>\$ 9,251</u>	<u>\$ 120,391</u>	<u>\$ 10,829</u>

Village of Grosse Pointe Shores, Michigan

Notes to Financial Statements March 31, 2008

Note 5 - Capital Assets

Capital asset activity of the Village's governmental and business-type activities was as follows:

	Balance April 1, 2007	Additions	Disposals	Balance March 31, 2008
Governmental Activities				
Capital assets not being depreciated -				
Land	\$ 880,608	\$ -	\$ -	\$ 880,608
Capital assets being depreciated:				
Vehicles	1,273,286	158,600	111,423	1,320,463
Machinery and equipment	477,193	-	-	477,193
Buildings	1,365,428	-	-	1,365,428
Land improvements	648,970	-	-	648,970
Infrastructure	8,259,404	-	-	8,259,404
Subtotal	12,024,281	158,600	111,423	12,071,458
Accumulated depreciation:				
Vehicles	989,179	57,803	68,839	978,143
Machinery and equipment	294,742	26,260	-	321,002
Buildings	725,350	22,979	-	748,329
Land improvements	487,499	32,448	-	519,947
Infrastructure	4,830,913	162,461	-	4,993,374
Subtotal	7,327,683	301,951	68,839	7,560,795
Net capital assets being depreciated	4,696,598	(143,351)	42,584	4,510,663
Net capital assets	\$ 5,577,206	\$ (143,351)	\$ 42,584	\$ 5,391,271

Village of Grosse Pointe Shores, Michigan

Notes to Financial Statements March 31, 2008

Note 5 - Capital Assets (Continued)

Business-type Activities	Balance April 1, 2007 (as restated)	Transfers	Additions	Disposals	Balance March 31, 2008
Capital assets not being depreciated:					
Land	\$ 5,053	\$ -	\$ -	\$ -	\$ 5,053
Construction in progress - Other	1,275,991	(1,275,991)	-	-	-
Construction in progress - Marina	153,019	-	3,174,769	-	3,327,788
Subtotal	1,434,063	(1,275,991)	3,174,769	-	3,332,841
Capital assets being depreciated:					
Vehicles	121,231	-	-	-	121,231
Machinery and equipment	18,700	-	-	-	18,700
Buildings	234,500	-	-	-	234,500
Infrastructure	22,198,358	1,275,991	132,330	-	23,606,679
Marina	5,870,204	-	-	728,704	5,141,500
Subtotal	28,442,993	1,275,991	132,330	728,704	29,122,610
Accumulated depreciation:					
Vehicles	9,290	-	9,751	-	19,041
Machinery and equipment	18,700	-	-	-	18,700
Buildings	234,500	-	-	-	234,500
Infrastructure	12,868,742	-	445,534	-	13,314,276
Marina	5,098,979	-	102,830	728,704	4,473,105
Subtotal	18,230,211	-	558,115	728,704	18,059,622
Net capital assets being depreciated	10,212,782	1,275,991	(425,785)	-	11,062,988
Net capital assets	\$ 11,646,845	\$ -	\$ 2,748,984	\$ -	\$ 14,395,829

Depreciation expense was charged to programs of the primary government as follows:

Governmental activities:

General government	\$ 34,107
Public safety	31,813
Public works	201,552
Recreation and culture	34,479

Total governmental activities \$ 301,951

Village of Grosse Pointe Shores, Michigan

Notes to Financial Statements March 31, 2008

Note 5 - Capital Assets (Continued)

Business-type activities:	
Water and sewer	\$ 455,285
Marina	<u>102,830</u>
Total business-type activities	<u>\$ 558,115</u>

Construction Commitments - The Village has an on-going construction project at year end related to the demolition and reconstruction of certain sections of the marina. At year end, the Village's commitments with contractors are as follows:

	<u>Spent to Date</u>	<u>Remaining Commitment</u>
Marina project	\$ 3,300,000	\$ 900,000

Note 6 - Interfund Receivables, Payables, and Transfers

The composition of interfund balances is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Due to/from Other Funds		
Nonmajor governmental funds	General Fund	\$ 205,058
Local Street Fund	Major Street Fund	58,700
General Fund	Major Street Fund	36,507
General Fund	Marina Fund	187,609
General Fund	Local Street Fund	<u>86,609</u>
Total		<u>\$ 574,483</u>

These balances result from the time lag between the dates that goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made.

<u>Fund Transferred From</u>	<u>Fund Transferred To</u>	<u>Amount</u>
Nonmajor governmental fund	Water and Sewer Fund	\$ 379,030
Marina Fund	General Fund	50,000
Major Street Fund	Local Street Fund	58,700

Transfers provided funding for capital acquisitions and debt service.

Village of Grosse Pointe Shores, Michigan

Notes to Financial Statements March 31, 2008

Note 7 - Shared Expenses

The Village received the following payments from the Township of Grosse Pointe for shared expenses for the year ended March 31, 2008:

Rent	\$ 20,000
Insurance	20,000
Administrative services	115,000

Note 8 - Long-term Debt

The Village issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the Village. Intergovernmental contractual agreements are also general obligations of the government. Other long-term obligations include compensated absences and net pension obligations.

Long-term obligation activity can be summarized as follows:

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities							
General obligation bonds:							
Unlimited Tax Bonds, Series 2004 -							
Net of unamortized discount:							
Amount of issue: \$1,700,000	2.50% -	\$43,300-	\$ 1,462,619	\$ -	\$ 43,300	\$ 1,419,319	\$ 43,300
Maturing through 2025	4.5%	\$140,725					
Other long-term obligations -							
Long-term portion of accrued sick pay liability			797,421	53,349	-	850,770	40,804
Total governmental activities			\$ 2,260,040	\$ 53,349	\$ 43,300	\$ 2,270,089	\$ 84,104
Business-type Activities							
General obligation bonds:							
Unlimited Tax Bonds, Series 2003:							
Amount of issue: \$2,250,000	1.15%-	\$185,000-					
Maturing through 2016	3.80%	\$235,000	\$ 1,845,000	\$ -	\$ 190,000	\$ 1,655,000	\$ 185,000
Unlimited Tax Bonds, Series 2004 -							
Net of unamortized discount:							
Amount of issue: \$1,800,000	2.50% -	\$56,700-					
Maturing through 2025	4.5%	\$184,275	1,927,609	-	56,700	1,870,909	56,700
Limited Tax Bonds, Series 2007:							
Net of unamortized discount:							
Amount of issue: \$3,800,000	3.75% -	\$50,000-					
Maturing through 2037	4.0%	\$250,000	-	3,719,706	-	3,719,706	-
Intergovernmental contractual agreement:							
Mack Avenue Water Main:							
Amount of issue: \$500,000		\$10,000-					
Maturing through 2012	0.00%	\$70,000	290,000	-	70,000	220,000	70,000
Total business-type activities			\$ 4,062,609	\$ 3,719,706	\$ 316,700	\$ 7,465,615	\$ 311,700

Village of Grosse Pointe Shores, Michigan

Notes to Financial Statements March 31, 2008

Note 8 - Long-term Debt (Continued)

Annual debt service requirements to maturity for the above bonds and note obligations are as follows:

	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2009	\$ 43,300	\$ 55,048	\$ 98,348	\$ 311,700	\$ 205,750	\$ 517,450
2010	43,300	53,922	97,222	303,931	279,139	583,070
2011	54,125	52,560	106,685	338,106	271,455	609,561
2012	64,950	50,767	115,717	337,281	262,592	599,873
2013	64,950	48,696	113,646	347,281	250,750	598,031
2014-2018	389,700	205,804	595,504	1,476,455	1,067,974	2,544,429
2019-2023	497,950	117,959	615,909	1,188,205	831,903	2,020,108
2024-2028	261,044	12,596	273,640	1,140,339	561,307	1,701,646
2029-2033	-	-	-	1,036,155	356,880	1,393,035
2034-2037	-	-	-	986,162	109,362	1,095,524
Total	<u>\$ 1,419,319</u>	<u>\$ 597,352</u>	<u>\$ 2,016,671</u>	<u>\$ 7,465,615</u>	<u>\$ 4,197,112</u>	<u>\$ 11,662,727</u>

Defeased Debt

During prior years, the Village defeased certain bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account's assets and liabilities for the defeased bonds are not included in the basic financial statements. At March 31, 2008, \$1,700,000 of bonds outstanding are considered defeased.

Note 9 - Restricted Assets

Restricted assets consist of cash and cash equivalents as follows:

	Governmental	Business-type Activities	
	Activities		
	General Fund	Marina Fund	Water and Sewer
Unspent bond proceeds	<u>\$ 50,000</u>	<u>\$ 316,922</u>	<u>\$ 60,188</u>

Village of Grosse Pointe Shores, Michigan

Notes to Financial Statements March 31, 2008

Note 10 - Risk Management

The Village is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees.

The Village participates in the Michigan Municipal League risk pool program for claims related to workers' compensation. The program operates as a common risk-sharing management program for local units of government in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

The Village participates in the Michigan Municipal Risk Management Authority's State Pool program for claims relating to property loss, torts, errors and omissions, and personal injuries. The program operates as a common risk-sharing management program for local units of government in Michigan. Member premiums are used to purchase excess insurance coverage and to pay member claims in excess of deductible amounts. A portion of the excess insurance coverage is underwritten by the Authority itself.

For medical benefits, the Village previously purchased commercial insurance. Settled claims related to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years. Effective May 1, 2005, the Village became self-funded for medical benefits up to a retention amount, at which time the Village's reinsurance coverage begins. The self-funding program is done in conjunction with the cities of Grosse Pointe, Grosse Pointe Farms, Grosse Pointe Park, and Grosse Pointe Woods. The Village serves as the administrative agent for the program; however, each municipality is responsible for its individual claims.

Village of Grosse Pointe Shores, Michigan

Notes to Financial Statements March 31, 2008

Note 10 - Risk Management (Continued)

The Village estimates the liability for medical benefit claims that have been incurred through the end of the fiscal year, including claims that have been incurred but not reported. The Village's liability is based on individual claims and management's evaluation of experience with respect to the probable number and nature of claims. Any adjustments resulting from the settlement of losses will be reflected at the time the adjustments are determined. Changes in the estimated liability for the current year were as follows:

Estimated liability - Beginning of year	\$ -
Estimated claims incurred, including changes in estimates	476,574
Claim payments	<u>(476,574)</u>
Estimated liability - End of year	<u>\$ -</u>

Note 11 - Defined Benefit Pension Plan

Plan Description

The Village contributes to the General and Public Safety Retirement System, which is the administrator of a single-employer public employees' retirement system that covers essentially all general and public safety employees of the Village. The plan does not issue a separate financial report.

The system provides retirement, death, and disability benefits to plan members and their beneficiaries. At March 31, 2008, membership consisted of 30 retirees, beneficiaries, and alternate payees currently receiving benefits and terminated employees entitled to benefits but not yet receiving them, and 41 current active employees.

Contributions

Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to the plans are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plans. Please refer to Note 1 for further significant accounting policies.

Village of Grosse Pointe Shores, Michigan

Notes to Financial Statements March 31, 2008

Note 11 - Defined Benefit Pension Plan (Continued)

The obligation to contribute to and maintain the system for these employees was established by the Village charter. All full-time general and public safety employees are eligible to participate in the system. General participants in the system are required to contribute 3 percent of the first \$4,200 of annual salary plus 5 percent of annual salary in excess of \$4,200 to the system. Public safety participants are required to contribute 6 percent of their annual salary to the system. The funding policy provides for periodic employer contributions at actuarially determined rates. Administrative costs of the plan are financed through investment earnings.

Annual Pension Cost

For the fiscal year ended March 31, 2008, the Village's annual pension cost and required contribution of \$397,613 for the plan was equal to the Village's actual contribution of \$397,613. The annual required contribution was determined as part of an actuarial valuation at March 31, 2007, using the individual entry-age cost method. Significant actuarial assumptions used include (a) a 7.5 percent investment rate of return and (b) projected salary increases of 5.7 percent to 9.3 percent per year. Both (a) and (b) include an inflation component of 5.5 percent. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a four-year period. The unfunded actuarial liability is being amortized as a level percentage of payroll on an open basis. The remaining amortization period is 20 years.

As of March 31, 2008, the plan's required reserves have been fully funded as follows:

Reserve for employees' contributions	\$ 2,250,430
Reserve for retired benefit payments	6,744,360

Three-year Trend Information

	2008	2007	2006
Annual pension cost (APC)	\$ 397,613	\$ 384,402	\$ 305,767
Percentage of APC contributed	100.0%	100.0%	120.0%
Net pension obligation	\$ -	\$ -	\$ -

Village of Grosse Pointe Shores, Michigan

Notes to Financial Statements March 31, 2008

Note 12 - Other Postemployment Benefits

The Village provides healthcare benefits to all full-time employees upon retirement, in accordance with labor contracts. Currently, 29 retirees are eligible. The Village includes pre-Medicare retirees and their dependents in its insured healthcare plan, with no contribution required by the participant. The Village purchases Medicare supplemental insurance for retirees eligible for Medicare. Expenditures for postemployment healthcare benefits are recognized in the Retired Employees' Health Care Benefit Trust Fund as the insurance premiums become due; during the year, this amounted to \$294,317.

In the current year, the plan's reserves have been funded as follows:

Reserve for postemployment healthcare benefits	\$1,530,069
--	-------------

The Governmental Accounting Standards Board has recently released Statement Number 45, *Accounting and Reporting by Employers for Postemployment Benefits Other Than Pensions*. The new pronouncement provides guidance for local units of government in recognizing the cost of retiree health care, as well as any "other" postemployment benefits (other than pensions). The new rule will cause the government-wide financial statements to recognize the cost of providing retiree healthcare coverage over the working life of the employee, rather than at the time the healthcare premiums are paid. The new pronouncement is effective for the year ending March 31, 2010.

Note 13 - Joint Venture

The Village is a member of the Grosse Pointes-Clinton Refuse Disposal Authority joint venture (the "Authority"), which provides refuse disposal services to participating municipalities in the counties of Wayne and Macomb, Michigan. Other members include the cities of Grosse Pointe Farms, Grosse Pointe Park, Grosse Point, Harper Woods, Mount Clemens, Grosse Pointe Woods, and the Township of Clinton. The Village Council appoints one member to the Authority's governing board, which then approves its budget. The Authority currently contracts with a commercial refuse disposal company and bills members for their proportionate share of the costs.

The Village's interest in the net assets of the Authority totaled approximately \$18,000 at March 31, 2008 and is reported as part of the governmental activities in the statement of net assets. The Village is unaware of any circumstances, including potential environmental remediation, that would cause an additional burden to the participating municipalities in the near future. Complete financial statements for the Authority can be obtained from its administrative offices at 27941 Harper Avenue, Suite 106, St. Clair Shores, MI 48081.

Village of Grosse Pointe Shores, Michigan

Notes to Financial Statements March 31, 2008

Note 14 - Subsequent Event

On May 6, 2008, Village residents approved a general election ballot measure to elect a charter commission that will work to incorporate the Village as a city under Michigan law. In February 2009, the Village residents, along with the residents of the Township of Grosse Pointe and the Township of Lake, will be asked to approve the charter in order to incorporate as a city as of April 1, 2009. The City's fiscal year end will be June 30.

Required Supplemental Information

Village of Grosse Pointe Shores, Michigan

Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended March 31, 2008

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 5,061,889	\$ 5,137,831	\$ 5,019,123	\$ (118,708)
State-shared revenue	241,000	229,085	231,365	2,280
Licenses and permits	51,000	39,875	46,182	6,307
Fines and forfeitures	225,000	176,000	179,908	3,908
Ambulance fees	55,000	54,000	52,513	(1,487)
Building rent	20,000	20,000	20,000	-
Interest	70,000	69,275	61,926	(7,349)
Other	190,000	225,000	259,834	34,834
Transfers in	215,000	226,000	246,072	20,072
Total revenue	6,128,889	6,177,066	6,116,923	(60,143)
Expenditures				
Village Council	71,800	68,710	76,156	(7,446)
Judicial	120,575	121,065	123,769	(2,704)
Village manager	543,600	516,415	521,866	(5,451)
Elections	4,100	3,560	3,556	4
Financial administration	612,800	609,000	614,822	(5,822)
Village clerk	100	100	100	-
Building and grounds	528,788	531,585	520,736	10,849
Public safety	2,443,621	2,275,975	2,308,140	(32,165)
Public works	350,655	312,960	328,487	(15,527)
Sanitation	472,400	418,975	408,895	10,080
Parks and recreation	480,450	475,957	464,841	11,116
Fringe benefits	418,000	418,000	387,060	30,940
Insurance	82,000	88,500	88,399	101
Total expenditures	6,128,889	5,840,802	5,846,827	(6,025)
Excess of Revenue Over Expenditures	-	336,264	270,096	(66,168)
Fund Balance - Beginning of year	531,721	531,721	531,721	-
Fund Balance - End of year	<u>\$ 531,721</u>	<u>\$ 867,985</u>	<u>\$ 801,817</u>	<u>\$ (66,168)</u>

Village of Grosse Pointe Shores, Michigan

Required Supplemental Information Budgetary Comparison Schedule Major Special Revenue Fund - Major Street Year Ended March 31, 2008

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
State-shared revenue	\$ 115,000	\$ 115,000	\$ 115,038	\$ 38
Interest	3,000	7,800	7,464	(336)
Total revenue	118,000	122,800	122,502	(298)
Expenditures				
Highways and streets	118,000	122,800	122,100	700
Transfers out	150,000	58,700	58,700	-
Total expenditures	268,000	181,500	180,800	700
Excess of Expenditures Over Revenue	(150,000)	(58,700)	(58,298)	402
Fund Balance - Beginning of year	118,699	118,699	118,699	-
Fund Balance (Deficit) - End of year	<u>\$ (31,301)</u>	<u>\$ 59,999</u>	<u>\$ 60,401</u>	<u>\$ 402</u>

Village of Grosse Pointe Shores, Michigan

Required Supplemental Information Budgetary Comparison Schedule Major Special Revenue Fund - Local Street Year Ended March 31, 2008

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
State-shared revenue	\$ 53,000	\$ 51,000	\$ 51,217	\$ 217
Interest	2,000	2,200	2,361	161
Transfers in	-	58,700	58,700	-
Total revenue	55,000	111,900	112,278	378
Expenditures				
Highways and streets	55,000	103,200	101,334	1,866
Transfers out	70,000	-	-	-
Total expenditures	125,000	103,200	101,334	1,866
Excess of Revenue Over (Under) Expenditures	(70,000)	8,700	10,944	2,244
Fund Balance - Beginning of year	10,528	10,528	10,528	-
Fund Balance (Deficit) - End of year	<u>\$ (59,472)</u>	<u>\$ 19,228</u>	<u>\$ 21,472</u>	<u>\$ 2,244</u>

Village of Grosse Pointe Shores, Michigan

Required Supplemental Information General and Public Safety Retirement System Pension System Schedule of Funding Progress March 31, 2008

The schedule of funding progress is as follows:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Under/(Over) Funded Actuarial Accrued Liability	Funded Ratio (Percent)	Covered Payroll	Actuarial Accrued Liability as a Percentage of Covered Payroll
March 31	(a)	(b)	(b-a)	(a/b)	(c)	
2003	\$ 16,398,658	\$ 13,997,185	\$ (2,401,473)	117.2	\$ 2,328,221	103
2004	15,987,977	14,685,220	(1,302,757)	108.9	2,271,915	57
2005	15,757,277	15,286,827	(470,450)	103.1	2,359,314	20
2006	16,320,244	16,024,922	(295,322)	101.8	2,491,921	12
2007	16,964,753	16,792,449	(172,304)	101.0	2,483,532	7
2008	17,260,899	17,551,340	290,441	98.3	2,516,931	(12)

The schedule of employer contributions is as follows:

Years Ended March 31	Annual Required Contribution	Percentage Contributed
2003	\$ -	100.0
2004	101,976	98.1
2005	198,111	68.7
2006	305,767	120.3
2007	384,402	100.0
2008	397,613	100.0

The information presented above was determined as part of the actuarial valuations at the dates indicated. Additional information as of March 31, 2008, the latest actuarial valuation, follows:

Actuarial cost method	Individual entry age
Amortization method	Level percent of payroll, open
Remaining amortization period	20 years
Asset valuation method	4-year smoothed market
Actuarial assumptions:	
Investment rate of return*	7.5%
Projected salary increases*	5.7% - 9.3%
*Includes inflation at the rate of	5.5%

Village of Grosse Pointe Shores, Michigan

Note to Required Supplemental Information March 31, 2008

Note - Budgetary Information

Budgetary Information - Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund and all Special Revenue Funds except that operating transfers have been included in the "revenue" and "expenditures" categories, rather than as an "other financing source" or "other financing use." In addition, reimbursements from other funds have been included in revenue, rather than as a reduction of expenditures. Also, the property tax levy for debt service and the related debt service expenditure have been budgeted for in the General Fund.

The statement comparing actual to budgeted revenue and expenditures is presented on the same basis of accounting used in preparing the adopted budget. Following is a reconciliation of the budget statement of the General Fund to the operating statement:

	Revenue	Expenditures
Budget statement amount	\$ 6,116,923	\$ 5,846,827
Major and Local Street Funds expenditure		
reimbursements	(196,072)	(196,072)
Debt millage budgeted	(478,558)	(478,558)
Operating transfers in	(50,000)	-
Total operating statement amount	<u>\$ 5,392,293</u>	<u>\$ 5,172,197</u>

Excess of Expenditures Over Appropriations in Budgeted Funds - During the year, the Village of Grosse Pointe Shores, Michigan incurred expenditures that were in excess of the amounts budgeted. These unfavorable variances were caused by unanticipated expenditures that became necessary during the year. The budget overruns are as follows:

	Amended Budget	Actual
General Fund:		
Village Council	\$ 68,710	\$ 76,156
Judicial	121,065	123,769
Village manager	516,415	521,866
Financial administration	609,000	614,822
Public safety	2,275,975	2,308,140
Public works	312,960	328,487

Other Supplemental Information

Village of Grosse Pointe Shores, Michigan

Other Supplemental Information Combining Balance Sheet Nonmajor Governmental Funds March 31, 2008

	Special Revenue Funds		Debt Service Fund	Total Nonmajor Governmental Funds
	Budget Stabilization	911 Service	2004 Unlimited Tax	
Assets - Due from General Fund	\$ 200,000	\$ 5,058	\$ -	\$ 205,058
Fund Balances - Unreserved - Undesignated	\$ 200,000	\$ 5,058	\$ -	\$ 205,058

Village of Grosse Pointe Shores, Michigan

Other Supplemental Information Combining Statement of Revenue, Expenditures, and Changes in Fund Balances - Nonmajor Governmental Funds Year Ended March 31, 2008

	Special Revenue Funds		Debt Service Fund	Total Nonmajor Governmental Funds
	Budget Stabilization	911 Service	2004 Unlimited Tax	
Revenue				
Property taxes	\$ -	\$ -	\$ 478,558	\$ 478,558
Other	-	11,903	-	11,903
Total revenue	-	11,903	478,558	490,461
Expenditures				
Public safety	-	6,845	-	6,845
Debt service	-	-	99,528	99,528
Total expenditures	-	6,845	99,528	106,373
Excess of Revenue Over Expenditures	-	5,058	379,030	384,088
Other Financing Uses - Transfer out	-	-	(379,030)	(379,030)
Net Change in Fund Balances	-	5,058	-	5,058
Fund Balances - Beginning of year	200,000	-	-	200,000
Fund Balances - End of year	<u>\$ 200,000</u>	<u>\$ 5,058</u>	<u>\$ -</u>	<u>\$ 205,058</u>

Village of Grosse Pointe Shores, Michigan

Other Supplemental Information Combining Statement of Net Assets Fiduciary Funds - Trust Funds March 31, 2008

	General and Public Safety Retirement System	Retired Employees' Health Care Benefits	Total
Assets			
Cash and cash equivalents	\$ 695,831	\$ 1,519,001	\$ 2,214,832
Investments:			
U.S. government securities	2,305,860	-	2,305,860
Common and preferred stock	10,367,141	-	10,367,141
Corporate bonds	3,074,578	-	3,074,578
Accrued interest and dividends	98,550	-	98,550
Prepaid expenditures	9,300	11,068	20,368
Total assets	16,551,260	1,530,069	18,081,329
Liabilities - Other liabilities	60,538	-	60,538
Net Assets - Held in trust for pension and other employee benefits	<u>\$ 16,490,722</u>	<u>\$ 1,530,069</u>	<u>\$ 18,020,791</u>

Village of Grosse Pointe Shores, Michigan

Other Supplemental Information Combining Statement of Changes in Net Assets Fiduciary Funds - Trust Funds Year Ended March 31, 2008

	General and Public Safety Retirement System	Retired Employees' Health Care Benefits	Total
Additions			
Investment income:			
Interest, dividends, and net realized income on investments	\$ 866,000	\$ 93,460	\$ 959,460
Net decrease in fair value of investments	(597,673)	-	(597,673)
Less investment expenses	(153,481)	-	(153,481)
Net investment income	114,846	93,460	208,306
Contributions:			
Employer	397,613	304,317	701,930
Employee	133,312	12,327	145,639
Total contributions	530,925	316,644	847,569
Total additions	645,771	410,104	1,055,875
Deductions			
Pension benefit payments	786,509	-	786,509
Healthcare benefit payments	-	294,317	294,317
Total deductions	786,509	294,317	1,080,826
Net Increase (Decrease) in Net Assets Held in Trust	(140,738)	115,787	(24,951)
Net Assets Held in Trust for Pension and Other Employee Benefits			
Beginning of year	16,631,460	1,414,282	18,045,742
End of year	<u>\$ 16,490,722</u>	<u>\$ 1,530,069</u>	<u>\$ 18,020,791</u>

Village of Grosse Pointe Shores

Report to the Village Council

March 31, 2008

To the Village Council
Village of Grosse Pointe Shores

We have recently completed our audit of the basic financial statements of the Village of Grosse Pointe Shores (the "Village") for the year ended March 31, 2008. In addition to our audit report, we are providing the following:

- Letter of increased audit communications as prescribed by Statement on Auditing Standards (SAS) 112
- Letter of required audit communication, including a summary of unrecorded possible adjustments, as prescribed by SAS 114
- Other recommendations and informational comments which impact the Village

	Page
Report on Internal Control (SAS 112 Letter)	3-7
Results of the Audit (SAS 114 Letter)	8-10
Summary of Unrecorded Possible Adjustments (SAS 114 attachment)	11-16

We are grateful for the opportunity to be of service to the Village of Grosse Pointe Shores. Should you have any questions regarding the comments in this report, please do not hesitate to call.

Plante & Moran, PLLC

July 7, 2008

Village of Grosse Pointe Shores

Report on Internal Control

July 7, 2008

To the Village Council
Village of Grosse Pointe Shores

Dear Council Members:

Beginning with last year's audit, national auditing standards call for auditors to communicate matters to the governing body that may be useful in its oversight of the Village's financial management. Specifically, they require us to report internal control issues to the governing body that may be relatively minor, in order to allow the governing body to evaluate the significance, and make any changes deemed appropriate. In general, these are items that would have been discussed orally with management in the past. The purpose of these new standards is to allow the governing body an opportunity to discuss issues when they are relatively minor, rather than waiting until they become more serious problems. We hope this report on internal control will be helpful to you, and we look forward to being able to discuss any questions you may have concerning these issues.

In planning and performing our audit of the financial statements of the Village of Grosse Pointe Shores as of and for the year ended March 31, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered the Village's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies and/or material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis.

A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

Village of Grosse Pointe Shores

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

We consider the following significant deficiencies to be material weaknesses:

Audit Journal Entries - As a result of the auditing procedures performed, we detected and proposed the following material audit adjustments. In all instances, the Village posted the proposed journal entries to more accurately reflect the financial condition of the Village at March 31, 2008.

- **Accounts Payable** - During our testing of accounts payable in the Marina Fund, we noted two items were originally excluded from current year expenditures and accounts payable. These items include approximately \$349,000 owed to a contractor for work performed on the marina project prior to year end and approximately \$159,000 related to a retainer payable on the marina construction project. Both amounts were corrected through audit adjustments.
- **Capitalized Interest** - During our testing of capital assets in the Marina Fund, we noted the Village incurred approximately \$80,000 in interest related to the financing of construction in progress. Since the asset is in the process of being constructed, the interest incurred should have been capitalized. This transaction was improperly recorded as a prepaid asset. This was corrected through an audit adjustment.
- **Bond Discount and Issuance Costs** - During the current year, the Village issued new bonds totaling \$3.8 million in the Marina Fund. The bond discount and issuance costs of approximately \$80,000 were recorded by the Village as an expense. When debt is issued in an Enterprise Fund (such as the Marina Fund), the bond discount and issuance costs should be recorded as a prepaid asset and amortized over the life of the bonds. This error was corrected through an audit adjustment.
- **Prior Period Marina Costs** - During our review of the marina project activity, we noted the Village incurred approximately \$153,000 in project costs in the previous year. These costs were improperly reported as expenditures in the previous year. An audit adjustment was recorded to properly reflect these costs as a capital asset.
- **Fund Balance** - During our review of the general ledger download provided by management, we noted the beginning fund balance in the Water and Sewer Fund differed from the end of year fund balance per the 2007 audited financial statements by approximately \$287,000. The error was caused by posting certain prior year audit adjustments twice to the general ledger system. This error was corrected through an audit adjustment. We recommend management implement procedures to compare fund balance to the audited financial statements after all audit adjustments are posted to ensure the general ledger information is accurate.

Village of Grosse Pointe Shores

We consider the following to be significant deficiencies in internal control over financial reporting:

Lack of Segregation of Duties - Segregation of duties is an essential component of a sound system of internal controls. When job responsibilities are properly segregated, a system of “checks and balances” is created, thereby reducing the risk of intentional or unintentional errors and/or omissions in the accounting records. We noted the following areas that lack segregation of duties:

- **Payroll** - The finance officer has the ability to sign payroll checks, add new employees to the payroll system, print payroll checks, and post journal entries to the general ledger. We recommend that the finance officer be removed as an authorized check signer on this account.
- **Journal Entries** - The finance officer is responsible for preparing and posting journal entries into the general ledger software system. The Village manager performs a supervisory review of all manual journal entries, as evidenced by a signature on the manual journal entry sheet. However, we noted no supervisory comparison between the approved manual journal entry sheets and manual postings to the general ledger. We recommend that the supervisory review be enhanced to also include a review of the approved posting to the posting in the general ledger system. One way to do this would be to have the finance officer enter manual journal entries into the system and leave them in a “pending” status, awaiting supervisory review.
- **Wire Transfers** - The Village makes use of electronic wire transfers to effect various transactions, including payroll and debt payments. Currently, these transfers are initiated by the finance officer. The finance officer provides a verbal explanation of the nature of the wire transfer to the Village manager, who then signs an authorization form approving the wire transfer. The authorization form does not include written documentation of the nature of the wire transfer. We recommend implementing controls over wire transfers that include written documentation of the nature of each wire transfer, including supporting documentation whenever possible.

Audit Journal Entries - As a result of the auditing procedures performed, we detected and proposed the following significant audit adjustments. In all instances, the Village posted the proposed journal entries to more accurately reflect the financial condition of the Village at March 31, 2008.

- **GASB 34** - No journal entries were posted by the Village to prepare the government-wide (GASB 34) financial statements. The Village requested assistance with proposing these entries. All GASB 34 transactions were corrected through audit adjustments.

Unrecorded Audit Journal Entries - As a result of the auditing procedures performed, we detected and proposed the following audit adjustments. These adjustments were not posted by management due to the immaterial impact on the financial statements taken as a whole.

Village of Grosse Pointe Shores

- **Self-insurance Liability** - The Village is self-insured for healthcare benefits; however, no liability has been recorded for claims incurred but not reported as of March 31, 2008. The estimated liability is approximately \$40,000 in the General Fund and \$26,000 in the Retired Employees Health Care Fund.
- **Retroactive Salaries and Wages** - The Village is currently negotiating new terms for its expired union contracts. Management has not recorded a liability for the anticipated retroactive pay, nor have they calculated an estimate of what the potential retroactive pay will be. We have estimated the potential liability to be approximately \$68,000. We recommend that management implement procedures for estimating the potential liability for retroactive pay whenever union contracts are under negotiation at year end.

We also noted other control deficiencies which were deemed to not be significant, as well as other matters we would like to communicate to you. In an effort to assist with the Village's continuous improvement efforts, we offer the following observations and recommendations:

Supporting Documentation for Credit Card Activity - During our review of credit card activity, we noted there were a number of credit card transactions for which no receipts or other supporting documentation were retained. We recommend implementing controls that require a receipt or other supporting documentation for every credit card transaction. This will help ensure that the Village's credit cards are used in compliance with the credit card policy.

Fixed Assets - During our testing of fixed assets, we noted errors in the valuation of certain fixed asset additions, resulting in an understatement of fixed asset additions and the loss on disposal of assets. These amounts were immaterial and were corrected by an audit journal entry.

In order to provide an accurate valuation of fixed assets and gains/losses on disposals of assets, the Village should review existing procedures for recording and disposing assets when a trade-in is involved. In accordance with generally accepted accounting principles, fixed asset additions should be recorded at cost, regardless of trade in amounts received on the old disposed asset.

Incorporation as a City - As the Village takes steps to incorporate as a city, it will be important to consider the cash flow impact of moving from a March 31 year end to a June 30 year end. Most important is the timing of property tax collections, which will likely cause the Village to have a low to potential deficit fund balance at June 30. To avoid a low or deficit fund balance at June 30, the Village should consider the following:

- Transfer fund balance from the Budget Stabilization Fund to the General Fund
- Evaluate operating activities quarterly

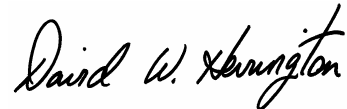
Currently, the Village has approximately \$289,000 of property tax collections that is being reserved for sanitation. The Village should consider reducing the upcoming sanitation property tax millage such that sanitation property tax collections will equal total budgeted sanitation expenditures less \$289,000. The Village could then increase the operating millage by the same amount that the sanitation millage was decreased. The net result is the same total millage rate for the residents, and the elimination of reserved fund balance for refuse purposes.

Village of Grosse Pointe Shores

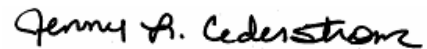
This communication is intended solely for the information and use of management, the council, and others within the Village and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Plante & Moran, PLLC

A handwritten signature in black ink, reading "David W. Herrington". The signature is written in a cursive style with a large, stylized 'D' and 'H'.

David W. Herrington

A handwritten signature in black ink, reading "Jenny L. Cederstrom". The signature is written in a cursive style with a large, stylized 'J' and 'C'.

Jenny L. Cederstrom

Village of Grosse Pointe Shores

Results of the Audit

July 7, 2008

To the Village Council
Village of Grosse Pointe Shores

We have audited the financial statements of the Village of Grosse Pointe Shores for the year ended March 31, 2008 and have issued our report thereon dated July 7, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility Under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated May 19, 2008, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. We are responsible for planning and performing the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement. As part of our audit, we considered the internal control of the Village. Our consideration of internal control was solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters and our audit of the financial statements does not relieve you or management of your responsibilities.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our letter about planning matters on May 19, 2008.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Village of Grosse Pointe Shores are described in Note I to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended March 31, 2008.

We noted no transactions entered into by the Village during the year for which there was a lack of authoritative guidance or consensus.

Village of Grosse Pointe Shores

There were no significant transactions that were recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. The financial statements do not include any estimates that we have deemed to be particularly sensitive.

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. All material audit adjustments posted by management were communicated to you in our report on internal controls (SAS 112 Letter), dated July 7, 2008.

The attached schedules summarize uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For the purpose of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management's Representations

We have requested certain representations from management that are included in the management representation letter dated July 7, 2008.

Management's Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the organization's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Village of Grosse Pointe Shores

In the normal course of our professional association with the Village, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, business conditions affecting the Village, and business plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition of our retention as the Village's auditors.

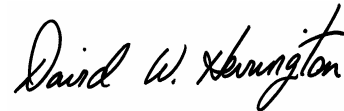
Other Information in Documents Containing Audited Financial Statements

Our responsibility relates to the Village's financial statements and other information as identified in the auditor's report. We have no responsibility for any other information that may be included in documents containing those audited statements. We do not have an obligation to perform any procedures to corroborate other information contained in these documents. We read the management's discussion and analysis and other supplemental information, and nothing came to our attention that caused us to believe that such information, or its manner of presentation, is materially inconsistent with the information or manner of its presentation appearing in the financial statements.

This information is intended solely for the use of the Village Council and management of the Village of Grosse Pointe Shores and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Plante & Moran, PLLC



David W. Herrington



Jenny L. Cederstrom

Village of Grosse Pointe Shores

Client: **Village of Grosse Pointe Shores**
 Opinion Unit: **Governmental Activities**
 Y/E: **3/31/2008**

SUMMARY OF UNRECORDED POSSIBLE ADJUSTMENTS

The pretax effect of misstatements and classification errors identified would be to increase (decrease) the reported amounts in the financial statement categories identified below:

Ref. #	Description of Misstatement	Current Assets	Long-term Assets	Current Liabilities	Long-term Liabilities	Equity	Revenue	Expenses	Pretax Income
KNOWN MISSTATEMENTS:									
A1	To record estimated liability for health insurance claims incurred but not reported as of year end	\$ -		\$ 39,999	\$ -	\$ -	\$ -	\$ 39,999	\$ (39,999)
A2	To record capital lease obligation, capital asset, and interest expense for Motorola lease		\$ 21,351	22,626				1,275	(1,275)
ESTIMATE ADJUSTMENTS:									
B1	To record estimated accrual for retroactive pay on union contracts			68,000				68,000	(68,000)
B2									
IMPLIED ADJUSTMENTS:									
C1		-	-	-	-	-	-	-	-
C2		-	-	-	-	-	-	-	-
	Combined effect - Before income taxes	-	21,351	130,625	-	-	-	109,274	(109,274)
	Effect of income taxes	-	-	-	-	-	-	-	-
	Total	\$ -	\$ 21,351	\$ 130,625	\$ -	\$ -	\$ -	\$ 109,274	\$ (109,274)

Village of Grosse Pointe Shores

Client: **Village of Grosse Pointe Shores**
 Opinion Unit: **Business-type Activities**
 Y/E: **3/31/2008**

SUMMARY OF UNRECORDED POSSIBLE ADJUSTMENTS

The pretax effect of misstatements and classification errors identified would be to increase (decrease) the reported amounts in the financial statement categories identified below:

Ref. #	Description of Misstatement	Current Assets	Long-term Assets	Current Liabilities	Long-term Liabilities	Equity	Revenue	Expenses	Pretax Income
KNOWN MISSTATEMENTS:									
A1	To record accrued compensated absence liability	\$ -		\$ -	\$ 12,812	\$ -	\$ -	\$ 12,812	\$ (12,812)
A2	To record amortization expense on bond issuance and discount		\$ (1,338)					1,338	(1,338)
ESTIMATE ADJUSTMENTS:									
B1									
B2									
IMPLIED ADJUSTMENTS									
C1									
C2									
		-	-	-	-	-	-	-	-
	Combined effect - Before income taxes	-	(1,338)	-	12,812	-	-	14,150	(14,150)
	Effect of income taxes	-	-	-	-	-	-	-	-
	Total	<u>\$ -</u>	<u>\$ (1,338)</u>	<u>\$ -</u>	<u>\$ 12,812</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,150</u>	<u>\$ (14,150)</u>

Village of Grosse Pointe Shores

Client: Village of Grosse Pointe Shores
 Opinion Unit: General Fund (Major Governmental Fund)
 Y/E: 3/31/2008

SUMMARY OF UNRECORDED POSSIBLE ADJUSTMENTS

The pretax effect of misstatements and classification errors identified would be to increase (decrease) the reported amounts in the financial statement categories identified below:

Ref. #	Description of Misstatement	Current Assets	Long-term Assets	Current Liabilities	Long-term Liabilities	Equity	Revenue	Expenses	Pretax Income
KNOWN MISSTATEMENTS:									
A1	To record estimated estimate for health insurance claims incurred but not reported as of year end	\$ -	\$ -	\$ 39,999	\$ -	\$ -	\$ -	\$ 39,999	\$ (39,999)
A2									
ESTIMATE ADJUSTMENTS:									
B1	To record estimated accrual for retroactive pay on union contracts			68,000				68,000	(68,000)
B2									
IMPLIED ADJUSTMENTS									
C1									
C2									
		-	-	-	-	-	-	-	-
	Combined effect - Before income taxes	-	-	107,999	-	-	-	107,999	(107,999)
	Effect of income taxes	-	-	-	-	-	-	-	-
	Total	\$ -	\$ -	\$ 107,999	\$ -	\$ -	\$ -	\$ 107,999	\$ (107,999)

Village of Grosse Pointe Shores

Client: **Village of Grosse Pointe Shores**
 Opinion Unit: **Water and Sewer Fund (Major Enterprise Fund)**
 Y/E: **3/31/2008**

SUMMARY OF UNRECORDED POSSIBLE ADJUSTMENTS

The pretax effect of misstatements and classification errors identified would be to increase (decrease) the reported amounts in the financial statement categories identified below:

Ref. #	Description of Misstatement	Current Assets	Long-term Assets	Current Liabilities	Long-term Liabilities	Equity	Revenue	Expenses	Pretax Income
KNOWN MISSTATEMENTS:									
A1	To record accrued compensated absence liability	\$ -	\$ -	\$ -	\$ 12,812	\$ -	\$ -	\$ 12,812	\$ (12,812)
A2									
ESTIMATE ADJUSTMENTS:									
B1									
B2									
IMPLIED ADJUSTMENTS									
C1									
C2									
		-	-	-	-	-	-	-	-
	Combined effect - Before income taxes	-	-	-	12,812	-	-	12,812	(12,812)
	Effect of income taxes	-	-	-	-	-	-	-	-
	Total	\$ -	\$ -	\$ -	\$ 12,812	\$ -	\$ -	\$ 12,812	\$ (12,812)

Village of Grosse Pointe Shores

Client: **Village of Grosse Pointe Shores**
 Opinion Unit: **Marina Fund**
 Y/E: **3/31/2008**

SUMMARY OF UNRECORDED POSSIBLE ADJUSTMENTS

The pretax effect of misstatements and classification errors identified would be to increase (iecrease) the reported amounts in the financial statement categories identified below:

Ref. #	Description of Misstatement	Current Assets	Long-term Assets	Current Liabilities	Long-term Liabilities	Equity	Revenue	Expenses	Pretax Income
KNOWN MISSTATEMENTS:									
A1	To record amortization expense on bond issuance and discount	\$ -	\$ (1,338)	\$ -	\$ -	\$ -	\$ -	\$ 1,338	\$ (1,338)
A2									
ESTIMATE ADJUSTMENTS:									
B1									
B2									
IMPLIED ADJUSTMENTS									
C1									
C2									
		-	-	-	-	-	-	-	-
	Combined effect - Before income taxes	-	(1,338)	-	-	-	-	1,338	(1,338)
	Effect of income taxes	-	-	-	-	-	-	-	-
	Total	\$ -	\$ (1,338)	\$ -	\$ -	\$ -	\$ -	\$ 1,338	\$ (1,338)

Village of Grosse Pointe Shores

Client: Village of Grosse Pointe Shores
 Opinion Unit: Aggregate Remaining Fund Information
 Y/E: 3/31/2008

SUMMARY OF UNRECORDED POSSIBLE ADJUSTMENTS

The pretax effect of misstatements and classification errors identified would be to increase (decrease) the reported amounts in the financial statement categories identified below:

Ref. #	Description of Misstatement	Current Assets	Long-term Assets	Current Liabilities	Long-term Liabilities	Equity	Revenue	Expenses	Pretax Income
KNOWN MISSTATEMENTS:									
A1	To record estimated liability for health insurance claims incurred but not reported as of year end in the Health Care Fund	\$ -	\$ -	\$ 26,206	\$ -		\$ -	\$ 26,206	\$ (26,206)
ESTIMATE ADJUSTMENTS:									
IMPLIED ADJUSTMENTS									
C1		-	-	-	-	-	-	-	-
C2		-	-	-	-	-	-	-	-
	Combined effect - Before income taxes	-	-	26,206	-	-	-	26,206	(26,206)
	Effect of income taxes	-	-	-	-	-	-	-	-
	Total	\$ -	\$ -	\$ 26,206	\$ -	\$ -	\$ -	\$ 26,206	\$ (26,206)